ignored/not accepted all these combinations, though the total modernisation of HDPEL in 1989-90 involved Rupees 59.44 crores, with loan assistance from Japan; if so, the reasons therefor?

THE MINISTER OF STATE OF THE MINISTRY OF SURFACE TRANSPORT (SHRI JAGDISH TYTLER): (a) and (b) Yes, Sir.

(c) While the different investment combinations for modernisation were not found to be acceptable, Govt. had sanctioned one of the recommended modernisation scheme called Port Engineering Works (PEW) — C' at a cost of Rs. 3.65 crores. Another scheme called "Modernisation Phase II of Naziragunge Works" at an estimated cost of Rs. 59.44 crores prepared by the Hoogly Dock & Port Engineers Ltd. in consultation with M/s Development Consultant Ltd. was dropped as the internal rate of return (IRR) on the proposed investment was not of the required level and accordingly the loan agreement entered into with the Overseas Economic Cooperation Fund (OECF), Japan was cancelled.

Modernisation Projects for HDPEL

2638. SHRI DIPANKAR MUKHERJEE: Will the Minister of SURFACE TRANSPORT be pleased to refer to answer to Unstarred Question No. 3043 given in the Rajya Sabha on the 17th August, 1994 and state:

(a) whether the Ministry of Surface Transport had approached M/s Development Consultants Limited to prepare and update a project report for modernisation of Nizirgunge Unit of HDPEL in 1988;

(b) whether it is a fact that the total cost of the modernisation of project was Rs. 51 crores with the internal rate of return of 16.94 percent and with the economic rate of return as high as 26.44%;

(c) whether Government had entered into a loan agreement with Overseas Economic Cooperation Fund on the 15th December, 1992 wherein OECF had agreed to give loan amounting to Rs. 43.85 crores as per exchange rate of December 1988, with an interest rate of 2.5% per annum and with the amortization schedule for the loan valid for 10 years; and

(d) whether the above scheme was considered with Government's own scarce resources with the interest at 15% per annum; if so, why was the better option of investment from OECF at 2.5% interest per annum not taken into consideration before rejection of the above project report for revival and what were the compelling reasons to reject the revival proposal?

THE MINISTER OF STATE OF THE MINISTRY OF SURFACE TRANSPORT (SHRI JAGDISH TYTLER): (a) to (d) No, Sir.

HDPEL prepared an in-house project report called Modernisation Phase-II Nizirgunge (PEW). For doing the economic and financial Analysis, HDPE appointed/took help from Development Consultants Ltd.

The estimated cost of modernisation project was worked out at Rs. 59.44 crores with the internal rate of return of 16.94% before tax and 13.7% after tax. On financial scrutiny and sensitivity analysis, it was, however, found that it would not yield the required minimum IRR of 12%.

The loan agreement with Overseas Economic Cooperation Fund amounting to Japanese Yen 3,508,000,000 was entered into by the Govt. of Inida. However, based on the above analysis which was duly concurred in by the Planning Commission, the above mentioned loan agreement was terminated on January 9, 1992.